

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Needham Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 1, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY18) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.75% to 7.50%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Funding Schedule 3 – Fully Funded by 2030, 7.50% Investment Return Assumption with Three-Year Phase-In

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Total Plan Cost: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase in Total Cost
2018	\$1,944,387	\$5,369,848	\$7,314,235	\$67,378,888	--
2019	2,020,566	5,913,916	7,934,482	66,659,718	8.48%
2020	2,099,708	6,507,618	8,607,326	65,301,737	8.48%
2021	2,181,928	7,155,219	9,337,147	63,203,678	8.48%
2022	2,267,345	7,477,204	9,744,549	60,252,093	4.36%
2023	2,356,082	7,813,678	10,169,760	56,733,005	4.36%
2024	2,448,268	8,165,294	10,613,562	52,588,276	4.36%
2025	2,544,035	8,532,732	11,076,767	47,754,706	4.36%
2026	2,643,523	8,916,705	11,560,228	42,163,622	4.36%
2027	2,746,875	9,317,957	12,064,832	35,740,436	4.36%
2028	2,854,240	9,737,265	12,591,505	28,404,165	4.37%
2029	2,965,773	10,175,442	13,141,215	20,066,918	4.37%
2030	3,081,635	10,633,337	13,714,972	10,633,337	4.37%
2031	3,201,993	--	3,201,993	--	-76.65%

Notes: Recommended contributions are assumed to be paid on July 1.

Assumes contribution of budgeted amount for fiscal year 2018.

Item (2) reflects 3.5% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Amortization payments of remaining liability initially calculated to increase at 4.50% per year.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect deferred investment losses.